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# Brief 6: The Merit Aid Question: How can we attract promising students while preserving educational opportunity for all?

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# NERCHE BRIEF

New England Resource Center for Higher Education

March 2001

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The following Brief from the New England Resource Center for Higher Education (NERCHE) is a distillation of collaborative work of members of NERCHE's ongoing think tanks for administrators and faculty in the New England region. NERCHE Briefs emphasize policy implications and action agendas from the point of view of the people who tackle the most compelling issues in higher education in their daily work lives. With support from the Ford Foundation, NERCHE disseminates these pieces to a targeted audience of legislators, college and university presidents and system heads, and media contacts. The Briefs are designed to add critical information and essential voices to the policy decisions that leaders in higher education address.

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## **The Merit Aid Question: How can we attract promising students while preserving educational opportunity for all?**

NERCHE's think tank members recently participated in a discussion of the competitive forces driving change in higher education. The discussion, facilitated by The Futures Project: Policy for Higher Education in a Changing World ([www.futuresproject.org](http://www.futuresproject.org)),<sup>i</sup> revealed tremendous concern among faculty and administrators in New England about safeguarding the principles of equal access and equal educational opportunity during a time of accelerating competition for students. This is a crucial time for a reevaluation of barriers to full educational opportunity in this country. We need policies both at the institutional level and the state and federal levels to reverse the widening educational and economic divide.

### Background on merit aid and competitive forces

The American system of higher education is becoming significantly more competitive. The rapid growth of for-profit degree-granting colleges and universities, an explosion in virtual education, globalization, demographic shifts and the impact of new technologies on teaching and learning are creating a system that is dominated more by market forces, less by regulation.<sup>ii</sup> A recent surge in the use of merit aid—used by institutions as a competitive weapon in what economist Gordon Winston refers to as an “arms race” for the best students—is adding to these pressures.<sup>iii</sup> There is talk of the new consumer model for education, ruled by student choice. But what about students who have very few choices because of poor school systems, low family income, or special needs?

Based on the think tank discussion it is clear that many institutional leaders are developing strategies to balance concern for maintaining the competitive edge with

concern for disadvantaged students. But it is also crucial that policy makers at the system level support this approach.

#### The Premises of this Brief

- 1) Strategies to recruit and retain students, whether merit aid or other approaches, should not sacrifice commitment to access and diversity.
- 2) Merit aid policies need careful examination, from their intended goals to their impact and unintended consequences.
- 3) Need-based aid must be strengthened.
- 4) Eligibility for a college education should reflect ability and potential for success, not socioeconomic status.
- 5) The income gap is widening between those with a college education and those without, threatening to further stratify our society. Policy for higher education must address how to ensure opportunities for social mobility for all.<sup>iv</sup>

#### Eligibility for all: Protect educational access and opportunity.

In principle we are a society that values education as the great “equalizer,” providing equal opportunity for advancement to those who apply themselves. In practice, we are becoming increasingly stratified along socioeconomic divisions. If we are to reverse this and promote educational opportunity in any real sense, then we need to address the barriers to access. What constitutes true eligibility for a college education in the current environment? First, it is the ability to pay for it, and second, the ability to meet academic achievement standards, generally measured by grades and standardized tests. These abilities are not simply individual characteristics. Income levels and academic achievement are part of larger patterns and disparities in society. For this reason, definitions of “merit” and “eligibility” should also consider talent and potential not always captured on transcripts and test scores. In evaluating the implications of a policy such as merit aid, it is important to look at how eligibility is defined and the weighting of qualities, such as leadership or creative talent, and scores, such as grade point average and test results.

High school graduates are not all equal in their academic records and their incomes, but this does not mean the system of higher education should perpetuate the inequalities by only serving the top tier students. As institutions compete for students who can pay the tuition and whose high SAT scores boost their national ratings, there is a systemic effect. The elite institutions skim off the top achieving students and the rest operate on the principle of “survival of the cheapest.” There must be checks and balances within the system to protect both educational quality and opportunity. Each institution has the responsibility to determine eligibility standards that are as fair and unbiased as possible.

Examine both the means and the ends of merit aid and other recruitment incentives

The debate is raging about whether merit aid is an effective tool for increasing student achievement and raising college enrollment or whether it effectively widens the gap between the “haves” and the “have nots.” Recent articles in the *Chronicle of Higher Education*,<sup>v</sup> present the mixed results of existing programs. In several instances, the merit scholarships were hailed as making it easier for those who work hard and succeed in high school to then go on to college. Yet after the programs were implemented it turned out that disproportionate numbers of scholarship winners had relatively high family income. It is crucial to examine the intent behind the design and to understand the implications. The questions below focus on merit aid in particular but they point to the importance of aligning practice with priorities in any student recruitment policy.

**What is the intent of the program and is it consistent with educational mission?**

Is the aim to raise college enrollment generally, to keep students in-state, or to raise the numbers of students who fit a particular profile, such as those with certain SAT scores? Consider the impact on campus climate if the focus is on recruiting primarily a certain type of student.

**How is eligibility determined?** If it is linked to high school grades and standardized test scores, what does this mean for students with special needs and those at poorly performing schools?

**How are the scholarships funded?** It is important to consider the long-term sustainability of the funding and whether resources are being allocated to this program at the expense of another area.

**What proportion of the scholarship winners could have afforded the tuition without the award and what help is available to the financially needy?** Many states are finding that the merit scholarships are disproportionately awarded to those with high family income. The Georgia Hope scholarship has no needs test for eligibility and no cap on family income. Clinton’s federal program, the Hope and Lifetime Learning Tax Credit, actually excludes low-income families with its income threshold for eligibility. Unless such programs are offset by sufficient funds for need-based aid, they will enlarge the advantage held by the well-off.

**How do retention rates and achievement levels for those students awarded merit funds compare to those for other students?** Eligibility for merit scholarships may not be a solid predictor of continued success in college. At the University of Georgia, 40% of the merit scholars either dropped out of the university or lost renewal of their scholarships due to low grades.<sup>vi</sup> If the goal of merit awards is to increase enrollment by high-achieving students, institutions need to examine what merit scholars achieve after freshman year.

**Is this program intended as the main recruiting tool or does it operate in tandem with others?** Given the reality that institutions and education systems need to balance financial and other concerns with educational priorities, no single strategy would meet all the needs adequately. For example, a campaign to attract full-paying students clearly excludes low-income students, but if the campaign were part of an effort to

subsidize need-based scholarships, the overall approach would be consistent with the mission to promote diversity and access.

#### Alternatives to merit aid

Institutions are not at the mercy of pressures to provide increasing levels of merit aid. NERCHE think tank members suggested the following strategies to recruit high-achieving, high-paying students while promoting diversity and attending to the needs of students who need support in order to achieve their full potential. These approaches include both merit and need-based incentives. The key is to achieve a balance of strategies so that the approach is inclusive and consistent with educational mission.

#### Institutional Strategies

- preferential housing rather than tuition discount
- honors programs for high-achieving students
- strategic outreach to high schools to attract underrepresented students
- outreach to students with high potential but remedial needs
- development of additional income streams to subsidize need-based scholarships
- unique offerings in academic majors/minors and co-curricular programs
- high quality remedial and academic support to strengthen student retention and overall levels of student achievement
- advising and mentoring programs with a “personal touch”

#### State and Federal Strategies

- Loan forgiveness for students who choose careers such as teaching, which contribute to society but offer low salaries
- “Merit-in-need” aid for financially struggling students who have consistently high academic performance through sophomore year
- Substantial increases in the Pell Grant and lower threshold for qualifying family income
- Tax-exempt programs for saving money for tuition
- Tax deductions for student loans and tuition payments

#### Conclusion

Competition in higher education is a reality, but rather than allow competitive fever to drive policies, educational mission should drive strategies that give institutions the stability and strength to compete. At the level of higher education as a system, policies should support the collective responsibility to protect educational opportunities for the least advantaged. At the same time, the example of the stratified K-12 schools warns of the risk of a two-tiered system, divided by test scores and income levels. Furthermore, in the rush to reward achievement that has already been demonstrated, higher education should not neglect its role in talent development. To use the analogy from Alexander Astin, higher education has this in common with the healthcare industry: its mission should be to assess the needs of those admitted and help them achieve their fullest potential.<sup>vii</sup> Imagine if hospitals only accepted those who could pass a physical

and a credit check! In education, the competition should be about quality, not cost, and all should be eligible for the chance to succeed.

## ENDNOTES

<sup>i</sup> The Futures Project, based at Brown University, is investigating the growth in competition and increasing reliance on market forces in higher education worldwide. Its focus is on developing policy options that will create a thoughtful, market-oriented system that takes advantage of the opportunities provided by the new competition while protecting from potential dangers inherent in the use of market forces.

<sup>ii</sup> For a deeper discussion of the new competition in higher education, see Frank Newman, "The New Competitive Arena: Market Forces Invade the Academy," 7 Feb. 2001 <[www.futuresproject.org](http://www.futuresproject.org)>.

<sup>iii</sup> Gordon C. Winston, "Is Princeton Acting Like a Church or a Car Dealer?," Chronicle of Higher Education 23 Feb. 2001: B24. See also Gordon C. Winston and David J. Zimmerman, "Where Is Aggressive Price Competition Taking Higher Education?," Change (May/June 2000).

<sup>iv</sup> Respondents to a Public Agenda survey rated a college education the most important factor contributing to success today, and 62% of parents of high school students believe a college education is "absolutely necessary" for their children (John Immerwahr and Tony Foleno, Great Expectations: How the Public and Parents – White, African American and Hispanic – View Higher Education, Public Agenda, May 2000).

<sup>v</sup> See Jeffrey Selingo, "Questioning the Merit of Merit Scholarships," Chronicle of Higher Education 19 January 2001:A20; "Merit-Based Scholarships and Students Who Need Aid," 9 February 2001: B17, Colloquy in Print; Andrew Brownstein, "Upping the Ante for Student Aid," 16 February 2001:A47

<sup>vi</sup> Jeffrey Selingo, "Questioning the Merit of Merit Aid," Chronicle of Higher Education 19 January 2001: A21.

<sup>vii</sup> See Alexander Astin, "The Civic Challenge of Educating the Underprepared Student," in Civic Responsibility and Higher Education, ed. Thomas Ehrlich (Phoenix: Oryx Press, 2000).

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What do you think? To contribute to the debate on merit aid and to see more thoughts from your peers, please visit the bulletin board on the Futures Project's web site at [www.futuresproject.org/board/index.php3](http://www.futuresproject.org/board/index.php3).

To view other NERCHE Briefs, please visit [www.nerche.org](http://www.nerche.org). We welcome your comments and suggestions. Email us at [nerche@umb.edu](mailto:nerche@umb.edu).



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